

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

MetroCorp Bancshares, Inc.

Point of Contact:	David Choi, CFO	RSSD: (For Bank Holding Companies)	2344799
UST Sequence Number:	440	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	45,000,000	FDIC Certificate Number: (For Depository Institutions)	26937 & 33401
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	January 16, 2009	City:	Houston
Date Repaid ¹ :	N/A	State:	Texas

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	500 new loans including lines of credit for a total of \$247 million were originated in 2011. Although total loan was down 8.7% from 2010, it was consistent with management's strategy to continue support the credit needs of local business community while balance our risk exposure.
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☐ To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

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X Increase reserves for non-performing assets.

The allowance for loan losses increased from \$24 million at 12/31/2008 to \$34 million at 12/31/2010. With improved credit quality on loans, reserves were reduced to \$28 million at 12/31/2011.

X Reduce borrowings.

Reduced \$37 million of FHLB advance and subordinated debt borrowing in 2009.

X Increase charge-offs.

Net charge-offs (NCO) was \$9.2 million in 2011, \$13.2 million in 2010 and \$20.5 million in 2009 which were 1.7 times, 2.4 times and 3.7 times the NCO level in 2008 respectively.

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☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

Total risk-based capital ratio at year end 2010 was 15.13%. If without CPP, the total risk-based capital ratio would have been reduced to below 12%. This ratio has increased to 17.3% at the end of 2011 from positive earnings during the year.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

With the capital infusion we were able to: 1. Avoided significant dilution of common equity, if we were to raise new common capital when our stock price traded below book value2. Avoided regulatory capital ratios from dropping below "well capitalize" level due to losses during some of the periods since the infusion

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

With the capital infusion we were able to: 1. Maintained stronger balance sheet with higher capital ratios 2. Increased loan losses provision and loan losses allowance to guard against future potential loan losses 3. Reduced leverage on balance sheet 4. Increased liquidity

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.